

**COMMUNITY FOUNDATION FOR SAN BENITO COUNTY**

Financial Statements  
and  
Report of Independent Auditors

For the period beginning January 1, 2016 and ended October 31, 2016  
with comparative totals as of and for the year ended December 31, 2015

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**NOVOGRADAC  
& COMPANY** LLP®  
CERTIFIED PUBLIC ACCOUNTANTS

## Report of Independent Auditors

To the Board of Directors of  
Community Foundation for San Benito County:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Community Foundation for San Benito County, a California nonprofit corporation, which comprise the statement of financial position as of October 31, 2016, and the related statements of activities and changes in net assets, and cash flows for the period beginning January 1, 2016 and ended October 31, 2016, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation for San Benito County as of October 31, 2016, and the changes in its net assets and its cash flows for the period beginning January 1, 2016 and ended October 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited Community Foundation for San Benito County's financial statements for the year ended December 31, 2015, and our report dated July 6, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the restated audited financial statements from which it has been derived.

*Novogradac & Company LLP*

San Rafael, California

April 7, 2017

**COMMUNITY FOUNDATION FOR SAN BENITO COUNTY**

**STATEMENT OF FINANCIAL POSITION**

October 31, 2016

with comparative totals as of December 31, 2015

**ASSETS**

	<u>2016</u>	<u>2015</u> <u>(restated)</u>
Cash and cash equivalents	\$ 519,752	\$ 1,570,660
Investments	8,399,480	7,712,139
Beneficial interest in assets held by others	136,743	128,107
Accounts receivable	2,176	14
Pledges receivable	12,304	16,469
Land	180,000	-
Furniture and equipment, net of accumulated depreciation of \$23,065 and \$22,118, respectively	728	1,675
Total assets	<u>\$ 9,251,183</u>	<u>\$ 9,429,064</u>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 35,201	\$ 325
Grants payable	180,554	40,000
Funds held for others	562,516	563,856
Total liabilities	<u>778,271</u>	<u>604,181</u>
Net assets		
Unrestricted	4,126,878	4,451,490
Temporarily restricted	750,988	985,288
Permanently restricted	3,595,046	3,388,105
Total net assets	<u>8,472,912</u>	<u>8,824,883</u>
Total	<u>\$ 9,251,183</u>	<u>\$ 9,429,064</u>

see accompanying notes

**COMMUNITY FOUNDATION FOR SAN BENITO COUNTY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the period beginning January 1, 2016 and ended October 31, 2016  
with comparative totals for the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	<b>2016 Total</b>	<b>2015 (restated) Total</b>
<b>REVENUE AND OTHER SUPPORT</b>					
Contributions and grants	\$ 638,370	\$ 79,266	\$ 206,941	\$ 924,577	\$ 2,603,128
Interest and dividends	52,484	67,751	-	120,235	151,433
Net realized / unrealized gain (loss) on investments	110,790	137,599	-	248,389	(145,037)
Special event revenue net of \$22,094 of expenses	40,463	-	-	40,463	63,933
Fees charged by the Foundation, net	4,826	-	-	4,826	5,705
Other revenue	22,218	-	-	22,218	27,231
Net assets released from restrictions: Satisfaction of program restrictions	518,916	(518,916)	-	-	-
<b>Total revenue and other support</b>	<b>1,388,067</b>	<b>(234,300)</b>	<b>206,941</b>	<b>1,360,708</b>	<b>2,706,393</b>
<b>EXPENSES</b>					
Grants awarded	1,222,079	-	-	1,222,079	1,318,115
Program expense	195,720	-	-	195,720	337,925
Management and general	267,283	-	-	267,283	285,542
Fundraising and development	27,597	-	-	27,597	32,880
<b>Total expenses</b>	<b>1,712,679</b>	<b>-</b>	<b>-</b>	<b>1,712,679</b>	<b>1,974,462</b>
<b>CHANGE IN NET ASSETS</b>	<b>(324,612)</b>	<b>(234,300)</b>	<b>206,941</b>	<b>(351,971)</b>	<b>731,931</b>
<b>NET ASSETS AT BEGINNING OF PERIOD</b>	<b>4,451,490</b>	<b>985,288</b>	<b>3,388,105</b>	<b>8,824,883</b>	<b>8,354,077</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(261,125)</b>
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 4,126,878</b>	<b>\$ 750,988</b>	<b>\$ 3,595,046</b>	<b>\$ 8,472,912</b>	<b>\$ 8,824,883</b>

see accompanying notes

**COMMUNITY FOUNDATION FOR SAN BENITO COUNTY**

**STATEMENT OF CASH FLOWS**

For the period beginning January 1, 2016 and ended October 31, 2016

with comparative totals for the year ended December 31, 2015

	<u>2016</u>	<u>2015</u> <u>(restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (351,971)	\$ 731,931
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contributions of stock	(325,321)	(317,997)
Contributions restricted for endowments	(206,941)	(228,155)
Depreciation	947	3,399
Net realized/unrealized (gain) loss on investments	(248,389)	152,440
Donated value of land	(180,000)	-
(Increase) decrease in assets:		
Accounts receivable	(2,162)	433,986
Pledges receivable	4,165	365,933
Prepaid events	-	
Increase (decrease) in liabilities:		
Accounts payable	34,876	(13,462)
Grants payable	140,554	16,201
Funds held for others	<u>(1,340)</u>	<u>110,774</u>
Net cash (used in) provided by operating activities	<u>(1,135,582)</u>	<u>1,255,050</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities	<u>(122,267)</u>	<u>(1,230,237)</u>
Net cash used in investing activities	<u>(122,267)</u>	<u>(1,230,237)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowments	<u>206,941</u>	<u>228,155</u>
Net cash provided by financing activities	<u>206,941</u>	<u>228,155</u>
Net (decrease) increase in cash and cash equivalents	(1,050,908)	252,968
Cash and cash equivalents at beginning of period	<u>1,570,660</u>	<u>1,317,692</u>
Cash and cash equivalents at end of period	<u>\$ 519,752</u>	<u>\$ 1,570,660</u>

see accompanying notes

# COMMUNITY FOUNDATION FOR SAN BENITO COUNTY

Notes to Financial Statements

October 31, 2016

with comparative totals as of and for the year ended December 31, 2015

## 1. Organization

Community Foundation for San Benito County (the “Foundation”), a California nonprofit corporation, was organized in 1992 as a public benefit 501(c)(3) nonprofit corporation and has been determined not to be a private foundation under Section 509(a)(1) of the Internal Revenue Code (“IRC”). The Foundation engages primarily in the administration of funds, which are established by donors who describe either the general or specific purposes for which grants are to be made.

The Foundation’s goals are to build a permanent endowment with funds contributed by individuals and institutions, to provide grants and assistance to develop and strengthen community organizations, to encourage and facilitate collaborations among community organizations, and to inspire and promote a spirit of philanthropy and community involvement within San Benito County.

### Programs

#### *Advised Funds*

The Foundation offers several types of funds that enable donors to identify funding opportunities aligned with their values and charitable interests. Donor advised funds allow donors to recommend grant recipients, subject to the Foundation’s due diligence and approval. These funds may be advised by an individual, family, or committee of people who desire to pool their contributions toward a common purpose.

#### *Community Endowment and Field of Interest Funds*

Through the Community Endowment fund or named endowment funds, donors can contribute unrestricted funds to address community needs. These funds are a permanent charitable resource that grows through community support and provides much-needed funding for local programs and services. They allow the Foundation to act strategically to improve the community by addressing the most urgent needs with one-time or multi-year grants.

Field of interest funds enable donors to identify a broad charitable purpose or a category of interest (e.g. arts, education, human services, etc.) and/or geographic area or target population (e.g. senior citizens, children and youth, and immigrants).

#### *Scholarship Funds*

The Foundation administers twelve scholarship programs. The majority are designated for residents of San Benito County.

#### *Agency Endowment Funds*

Nonprofit organizations establish agency endowments that are held and managed by the Foundation. Earnings on the funds are distributed to the nonprofits each, providing them with a permanent source of income.



# COMMUNITY FOUNDATION FOR SAN BENITO COUNTY

## Notes to Financial Statements

October 31, 2016

with comparative totals as of and for the year ended December 31, 2015

### 2. Summary of significant accounting policies

#### Basis of accounting

The Foundation prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. The Foundation's year end for tax and financial reporting purposes was changed from December 31 to October 31 in 2016. These financial statements are for the period beginning January 1, 2016, and ended October 31, 2016 to reflect this change in year end.

#### Basis of presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### Net assets

##### *Unrestricted Net Assets*

The portion of net assets that have no use or time restrictions is considered unrestricted net assets. The bylaws of the Foundation include a variance power provision giving the Board of Directors the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board of Directors (without the necessity of the approval of any other party), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on the provision, the Foundation classifies contributions, except as noted below, as unrestricted for financial statement presentation.

##### *Temporarily Restricted Net Assets*

The portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event is considered temporarily restricted net assets. The accumulation of assets, above historic gift value, in donor restricted endowment funds is classified as temporarily restricted until appropriate for use based on the Foundation's spending policy. The Foundation also receives grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as temporarily restricted until the purpose restrictions are met. When the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

##### *Permanently Restricted Net Assets*

The portion of net assets consisting of the fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes, is considered permanently restricted net assets.

#### Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

# COMMUNITY FOUNDATION FOR SAN BENITO COUNTY

## Notes to Financial Statements

October 31, 2016

with comparative totals as of and for the year ended December 31, 2015

### 2. Summary of significant accounting policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

#### Concentration of credit risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments. The Foundation places its temporary cash investments with high credit quality financial institutions and, by policy, limits the amount of credit exposed to any one financial institution. The Board of Directors monitors the investments and changes are made to the investment policy as conditions change. The Foundation has not experienced any losses in such accounts.

For each of the period beginning January 1, 2016, and ended October 31, 2016 and the year ended December 31, 2015, three contributors made contributions to the Foundation, which represented 65% and 86%, respectively, of total contributions.

#### Contributions and grants

Contributions and grants are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional pledges to give are recorded as contributions when pledged at the net present value of the amounts expected to be collected. Unconditional pledges to give that are expected to be received in future periods are discounted annually using the current interest rate the funds would earn. Amortization of the discount is recorded as contribution revenue.

#### Revenue recognition

Revenue resulting from special events, fees charged by the Foundation, refunded grants and other income is recorded when earned.

#### Investments and beneficial interest in assets held by others

Investments include those held in individual funds established by donors, supporting organizations, and a variety of investment pools made available to donor funds for investment of gifted assets. Separate asset allocations are maintained for each investment pool, the endowment and supporting organizations. The asset allocation of any individual donor fund is dependent on the donor's choice of approved investment pools.

# COMMUNITY FOUNDATION FOR SAN BENITO COUNTY

## Notes to Financial Statements

October 31, 2016

with comparative totals as of and for the year ended December 31, 2015

### 2. Summary of significant accounting policies (continued)

#### Investments and beneficial interest in assets held by others (continued)

Beneficial interest in assets held by others includes funds held with the Community Foundation of Silicon Valley to invest in a revocable nonprofit investment fund which is not subject to variance power.

Realized gains or losses on the sale of marketable securities are calculated using the average cost method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the period or since the acquisition date if acquired during the period.

#### Accounts receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

#### Fair value measurements

The Foundation applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

*Level 1:* Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2:* Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3:* Unobservable inputs that reflect the Foundation's own assumptions.

**COMMUNITY FOUNDATION FOR SAN BENITO COUNTY**

Notes to Financial Statements

October 31, 2016

with comparative totals as of and for the year ended December 31, 2015

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

The following tables present the Foundation's assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of October 31, 2016 and December 31, 2015:

	October 31, 2016			Fair Value Measurements
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Beneficial interest in assets				
held by others	\$ 136,743	\$ -	\$ -	\$ 136,743
Social investment fund	706,227	-	-	706,227
Equity mutual funds	4,606,592	-	-	4,606,592
Bond mutual funds	3,086,661	-	-	3,086,661
Total assets	<u>\$ 8,536,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,536,223</u>
<b>Liabilities</b>				
Funds held for others	\$ 562,516	\$ -	\$ -	\$ 562,516
Total liabilities	<u>\$ 562,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 562,516</u>

	December 31, 2015 (restated)			Fair Value Measurements
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Beneficial interest in assets				
held by others	\$ 128,107	\$ -	\$ -	\$ 128,107
Social investment fund	703,589	-	-	703,589
Equity mutual funds	4,172,942	-	-	4,172,942
Bond mutual funds	2,835,608	-	-	2,835,608
Total assets	<u>\$ 7,840,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,840,246</u>
<b>Liabilities</b>				
Funds held for others	\$ 563,856	\$ -	\$ -	\$ 563,856
Total liabilities	<u>\$ 563,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563,856</u>

Furniture and equipment and depreciation

Acquisitions and donations of furniture and equipment with a fair market value in excess of \$1,000 are capitalized and depreciated using the straight-line method over seven years, the estimated useful lives of assets.

# COMMUNITY FOUNDATION FOR SAN BENITO COUNTY

Notes to Financial Statements

October 31, 2016

with comparative totals as of and for the year ended December 31, 2015

## 2. Summary of significant accounting policies (continued)

### Income taxes

The Foundation is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and therefore, is generally exempt from both federal and state income taxes, except on net income derived from unrelated business activities.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Foundation to report information regarding its exposure to various tax positions taken. Management has determined whether any tax positions have met the recognition threshold and has measured its exposure to those tax positions. Management believes that the Foundation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed. California tax authorities generally have the right to examine and audit the previous four years of tax returns filed. Any interest or penalties assessed to the Foundation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

### Endowment funds

In August 2008, the Financial Accounting Standards Board provided guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). This guidance also improves disclosures about an organization’s endowed funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The Foundation is subject to the required disclosures in that the Foundation classifies its unrealized gains and losses on donor-restricted endowed funds as temporarily restricted net assets. To the extent unrealized losses exceed previous unrealized gains, the unrealized losses are recorded to unrestricted net assets. Any gains in subsequent years will first offset any previous losses recorded in unrestricted net assets before recording unrealized gains and losses as temporarily restricted net assets. As of October 31, 2016 and December 31, 2015, the Foundation had four endowment funds for both years, with deficiencies of this nature totaling \$9,900 and \$6,672, respectively. These deficiencies are reflected in unrestricted net assets.

### Endowment investing and spending policies

The Foundation has adopted investment and spending policies for endowed assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowed assets. The investment and spending policies work together to achieve this objective. The investment policy established an achievable return objective through diversification of asset classes.

To accomplish the long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation with an emphasis on equity based investments, within prudent risk parameters.

**COMMUNITY FOUNDATION FOR SAN BENITO COUNTY**

Notes to Financial Statements

October 31, 2016

with comparative totals as of and for the year ended December 31, 2015

2. Summary of significant accounting policies (continued)

Endowment investing and spending policies (continued)

The spending policy determines the amount of money to be distributed annually from the Foundation's various endowed funds for grant making and operational support. Each endowed fund can annually expend 5% of the prior fiscal year end closing balance.

Funds held for others

The Foundation accepts funds from unrelated nonprofit organizations who desire to have the Foundation provide efficient investment management, programmatic expertise, and technical assistance. A liability is recorded at the readily determinable estimated fair values of assets deposited with the Foundation by nonprofit organizations.

Grant expense

Grants are recognized when all significant conditions are met, all due diligence has been completed and they are approved by staff or board committee. Grant refunds are recorded as a reduction of grant expense at the time the Foundation receives or is notified of the refund.

Fees charged by the Foundation

The Foundation charges fees to the individual funds for administration costs. For those funds investing in the asset pool, a 1.5% fee is charged each month based on an average daily balance. For funds that do not participate in the asset pool, a 7-12% fee is charged for each deposit made. For the period beginning January 1, 2016, and ended October 31, 2016 and the year ended December 31, 2015, the Foundation recorded fees charged by the operating fund to the multiple funds administration fee on a net basis, amounting to \$8,307 and \$10,292, respectively. These amounts represent the fees charged to the funds held for others. For the period beginning January 1, 2016, and ended October 31, 2016 and the year ended December 31, 2015, the total fees charged by the operating fund were \$103,142 and \$134,684, respectively.

Functional allocation of expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by the Foundation's management.

Restatement of 2015 financial statements

The Foundation recorded a \$230,136 prior period adjustment to correct classification of a permanent contribution that should have been recorded as funds held for others. The effect of this adjustment is as follows:

Net assets as of January 1, 2015	\$ (261,125)
Decrease in 2015 for:	
Interest and dividends	(6,000)
Net realized/unrealized gain (loss)	7,403
Grants awarded	25,000
Management and general	4,586
Net assets as of December 31, 2015	<u>\$ (230,136)</u>

**COMMUNITY FOUNDATION FOR SAN BENITO COUNTY**

Notes to Financial Statements

October 31, 2016

with comparative totals as of and for the year ended December 31, 2015

2. Summary of significant accounting policies (continued)

Subsequent events

Subsequent events have been evaluated through April 7, 2017, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Investments and beneficial interest in assets held by others

Investments are stated at current market value and consist of the following:

	<u>October 31, 2016</u>	<u>December 31, 2015</u> (restated)
Short-term reserves	\$ 19,524	\$ 13,714
Social investment fund	706,227	703,589
Equity funds	4,587,068	4,159,228
Bond funds	<u>3,086,661</u>	<u>2,835,608</u>
Total investments	<u>\$ 8,399,480</u>	<u>\$ 7,712,139</u>

In April 2008, the Foundation transferred \$100,000 to the Community Foundation of Silicon Valley to invest in a revocable nonprofit investment fund which is not subject to variance power. As of October 31, 2016 and December 31, 2015, the beneficial interest in assets held by others had aggregate balances of \$136,743 and \$128,107, respectively. The Foundation expects to receive distributions from earnings and principal as needed in the future.

The following schedule summarizes the return on investments and beneficial interest in assets held by others and its classification in the Statement of Activities and Changes in Net Assets for the period beginning January 1, 2016, and ended October 31, 2016 and the year ended December 31, 2015:

	<u>October 31, 2016</u>	<u>December 31, 2015</u> (restated)
Interest	\$ -	\$ 1,756
Dividends	120,235	155,678
Realized gains	6,522	40,735
Unrealized gain (loss)	<u>241,867</u>	<u>(193,175)</u>
Total investment returns	<u>\$ 368,624</u>	<u>\$ 4,994</u>

**COMMUNITY FOUNDATION FOR SAN BENITO COUNTY**

Notes to Financial Statements

October 31, 2016

with comparative totals as of and for the year ended December 31, 2015

4. Land, furniture and equipment

Land, furniture and equipment, net as of October 31, 2016 and December 31, 2015, consist of the following:

	<u>October 31, 2016</u>	<u>December 31, 2015</u> <u>(restated)</u>
Land	\$ 180,000	\$ -
Furniture and equipment	23,793	23,793
Less: accumulated depreciation	<u>(23,065)</u>	<u>(22,118)</u>
Furniture and equipment, net	<u>\$ 180,728</u>	<u>\$ 1,675</u>

During 2016, the Foundation received a donation of land in the value of \$180,000. This amount was added to the Velma Tiffany Family Fund account as part of the current year donation into restricted net assets.

5. Funds held for others

As of October 31, 2016 and December 31, 2015, the Foundation held assets for nine nonprofit organizations. The assets are held in funds that are managed by the Foundation on an agency relationship basis. The activity in such funds is summarized as follows:

	<u>October 31, 2016</u>	<u>December 31, 2015</u> <u>(restated)</u>
Nonprofit fund balances, beginning of period (as originally stated)	\$ 563,856	\$ 191,957
Prior period adjustment of funds	<u>-</u>	<u>261,125</u>
Nonprofit fund balances, beginning of period (restated)	563,856	453,082
Amounts raised in contribution	7,576	204,380
Dividends and interest income	8,611	13,406
Realized and unrealized investment returns	17,530	(21,062)
Grants	(26,750)	(75,659)
Expenses	<u>(8,307)</u>	<u>(10,291)</u>
Nonprofit fund balances, end of period	<u>\$ 562,516</u>	<u>\$ 563,856</u>

6. Temporarily restricted net assets

Temporarily restricted net assets consist of the following as of:

	<u>October 31, 2016</u>	<u>December 31, 2015</u> <u>(restated)</u>
Special projects	\$ 42,398	\$ 350,000
Endowment (unappropriated earnings)	708,590	635,288
Total temporarily restricted net assets	<u>\$ 750,988</u>	<u>\$ 985,288</u>



**COMMUNITY FOUNDATION FOR SAN BENITO COUNTY**

Notes to Financial Statements

October 31, 2016

with comparative totals as of and for the year ended December 31, 2015

7. Permanently restricted net assets

For the period beginning January 1, 2016, and ended October 31, 2016 and the year ended December 31, 2015, the changes in permanently restricted net assets are as follows:

	<u>October 31, 2016</u>	<u>December 31, 2015</u> <u>(restated)</u>
Permanently restricted net assets, beginning of period (as originally stated)	\$ 3,388,105	\$ 3,431,075
Prior period adjustment of Sacred Heart Agency Funds	<u>-</u>	<u>(261,125)</u>
Permanently restricted net assets, beginning of period (restated)	3,388,104	3,169,950
Contributions	206,941	228,155
Reclassification of Father Larry Betrozoff Scholarship Fund	<u>-</u>	<u>(10,000)</u>
Permanently restricted net assets, end of period	<u>\$ 3,595,046</u>	<u>\$ 3,388,105</u>

**COMMUNITY FOUNDATION FOR SAN BENITO COUNTY**

Notes to Financial Statements

October 31, 2016

with comparative totals as of and for the year ended December 31, 2015

8. Endowment disclosures

The Foundation is required to provide information about net assets which are defined as endowment, which includes endowment which is permanently restricted by donors (permanently restricted net assets) and endowment which has been board designated. As of October 31, 2016 and December 31, 2015, endowment net assets consisted of the following:

	October 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowments	\$ 543,405	\$ 708,590	\$ 3,595,046	\$ 4,847,041
Board designated endowments	320,176	-	-	320,176
Total	<u>\$ 863,581</u>	<u>\$ 708,590</u>	<u>\$ 3,595,046</u>	<u>\$ 5,167,217</u>
	December 31, 2015 (restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowments	\$ 463,728	\$ 635,288	\$ 3,388,105	\$ 4,487,121
Board designated endowments	290,027	-	-	290,027
Total	<u>\$ 753,755</u>	<u>\$ 635,288</u>	<u>\$ 3,388,105</u>	<u>\$ 4,777,148</u>

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8. Endowment disclosures (continued)

For the period beginning January 1, 2016, and ended October 31, 2016 and the year ended December 31, 2015, the changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets January 1, 2015 (as originally stated)	\$ 501,879	\$ 783,730	\$ 3,431,075	\$ 4,716,684
Prior period adjustment	-	-	(261,125)	(261,125)
January 1, 2015 (restated)	501,879	783,730	3,169,950	4,455,559
Investment return:				
Investment income (restated)	13,571	94,990	-	108,561
Net depreciation (realized and unrealized) (restated)	(22,676)	(111,755)	-	(134,431)
Total investment loss	(9,105)	(16,765)	-	(25,870)
Contributions	295,249	-	228,155	523,404
Appropriation for spending	(205,532)	-	-	(205,532)
Satisfaction of program restriction (restated)	170,217	(130,629)	-	39,588
Reclassification of Endowment Fund	-	-	(10,000)	(10,000)
Reclassification of deficit endowment fund activity	1,047	(1,047)	-	-
Endowment net assets December 31, 2015	753,755	635,289	3,388,105	4,777,149
Investment return:				
Investment income Net appreciation (realized and unrealized)	12,583	67,749	-	80,332
Total investment return	31,458	137,601	-	169,059
Contributions	44,041	205,350	-	249,391
Contributions	66,713	-	206,941	273,654
Appropriation for Spending	(132,977)	-	-	(132,977)
Satisfaction of program restriction	139,366	(139,366)	-	-
Reclassification of deficit endowment fund activity	(7,317)	7,317	-	-
Endowment net assets October 31, 2016	\$ 863,581	\$ 708,590	\$ 3,595,046	\$ 5,167,217

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with comparative totals as of and for the year ended December 31, 2015

9. Office lease

The Foundation has a month-to-month operating lease with a current year executive board member with monthly rent payments of \$3,550. For the period beginning January 1, 2016, and ended October 31, 2016 and the year ended December 31, 2015, office lease payments were \$s and \$45,600, respectively.

10. Retirement plan

In 2008, the Foundation began providing a defined contribution plan qualified under Section 457(b) of the IRC for its management employees. For the period beginning January 1, 2016, and ended October 31, 2016 and the year ended December 31, 2015, \$5,607 and \$6,115, respectively, was contributed by the Foundation.

11. Prior year comparison

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

12. Change in net assets

During 2015, the Foundation received a gift from the David and Lucile Packard Foundation in the amount of \$350,000, which was temporarily restricted for use in 2016. During 2016, the Foundation received gifts from two donors in the amount of \$505,321 which is classified as unrestricted. During 2015, the Foundation received a gift from Sallie Calhoun in the amount of \$1,204,381 which is classified as unrestricted.